



Provider of Choice Workshop: Products, Organized Day Ahead Markets, and Transfer Updates

February 9, 2023

PROVIDER OF CHOICE

**POST
2028**





Today's Workshop

Michelle Lichtenfels, Program Manager, Provider of Choice

Workshop Objectives

1. Prime the late February conversation on product updates.

2. Provide informational session on organized day ahead markets.

3. Provide update on transfer service & solicit feedback.

4. Continue tiered rate construct, CHWM methodology, and system size discussions.

Agenda

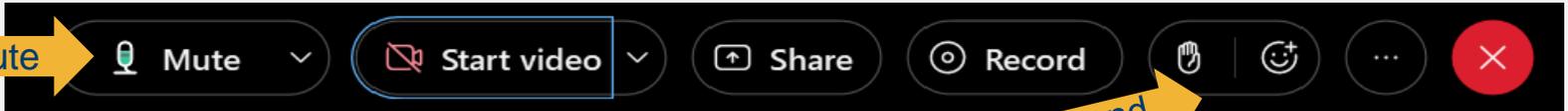
Time Start	Time End	Topic	Presenter(s)
9 a.m.	9:05 a.m.	Intro and Expectations	Michelle Lichtenfels
9:05 a.m.	10 a.m.	Products Framework & Feb. 21-22 Preview	Rob Burr
10 a.m.	10:15 a.m.	B R E A K	
10:15 a.m.	11:30 a.m.	Organized Day Ahead Markets Presentation	BPA DAM Team
11:30 a.m.	1 p.m.	L U N C H	
1 p.m.	2 p.m.	Transfer Service Update & Discussion	Paul Garrett
2 p.m.	2:15 p.m.	B R E A K	
2:15 p.m.	3:45 p.m.	Tiered Rates; CHWM Calculation, System Size Reflections & Discussions	All
3:45 p.m.	4 p.m.	Wrap Up	Michelle Lichtenfels

Format

- Presenters will take pauses for questions.
- Questions will be addressed in the order received.
- Please state your name and organization.
- If a question/opportunity for feedback arises during a presentation, please:
 - Webex: Write it in the Webex chat or raise your Webex hand; when called on, mute/unmute yourself.

Webex:

Mute/unmute



Raise hand

Workshop Roles & Expectations

Bonneville: Provide open and inclusive opportunities for feedback.

Participants: Provide feedback and share perspectives.

All: Respect one another and assume good intentions.

Bring a constructive mentality.





Firm Power Products

Rob Burr, Policy Specialist

Product Intent and Design

Workshop on Feb. 21 and 22 will focus on discussion of firm power product intent and design.

Firm power products include the following:

- Load Following
- Block (including Block with Shaping Capacity)
- Slice/Block
- Above-RHWM federal load service options



Scope of Products in Policy



Policy designed to set direction.

- Draft policy phase to add as much detail about product design as the process allows.

Provide consideration for evolving initiatives and implications for Provider of Choice products.

- Western Resource Adequacy Program.
- Future Day-Ahead Market or RTO participation.

What is Not in Scope for Policy?

Rate design elements:

Policy conversations may include discussions of potential rate design associated with products but the rate design will be determined in the Post-2028 Rate Methodology process.

Product implementation details:

Detailed implementation discussions will unfold in 2024 and 2025 with development of the rate methodology and as part of contract development.

Product Changes

Product changes: Products under Provider of Choice will be different than Regional Dialogue.

- Products must evolve thoughtfully, with intent, to address potential future needs.
- A customer may choose to make a different product selection under Provider of Choice than they did under Regional Dialogue.

Equity: BPA intends for a balanced product portfolio.

- BPA's design will balance value across all products; balance will be achieved by a combination of product design and rate design.
 - For example, some products may provide more capacity than other products; customers that select such products should expect capacity rate design to ensure balance between products.
- Updated products may carry additional benefits, which will be reflected in the rate design.

Product Timeline



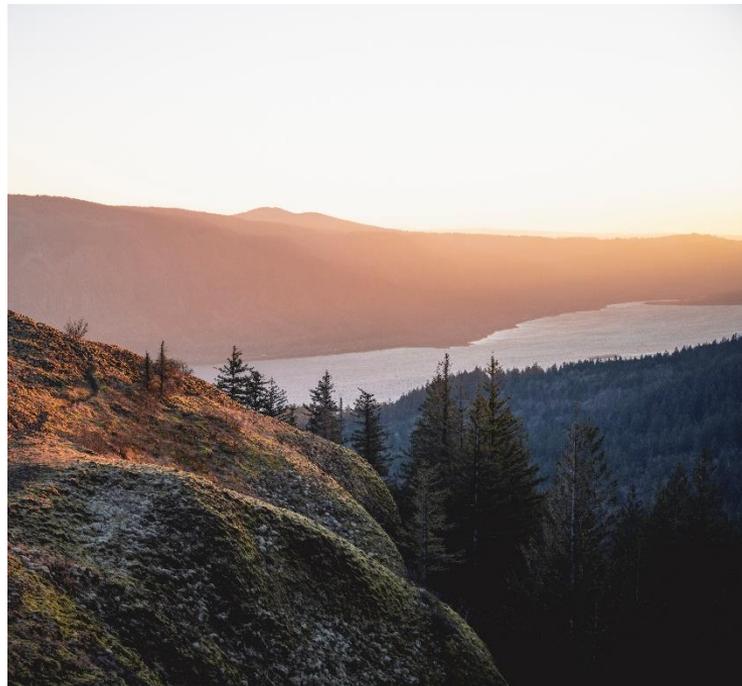
Product Design

Product design elements to be discussed on Feb. 21-22 include the following:

- Load Following v. Planned Products
- Energy and Peak Net Requirements
- Non-federal Resource Application
- Resource Adequacy
- Day-Ahead Markets or Regional Transmission Operator

Consider:

- What key product design elements do you want to discuss that are not on this list?
- What other product changes are you interested in discussing?





BREAK



Day Ahead Markets Presentation



LUNCH



Transfer Service Update

Paul Garrett

Assumptions

- **BPA will continue to acquire transfer service** on behalf of PF customers.
 - BPA remains contract holder with transfer providers.
 - BPA retains advocacy and engagement responsibilities with transfer providers including bill payment, participating in third-party provider rate cases, tariff and business practice comments, new generation and load interconnection studies, etc.
 - BPA continues scheduling and operational relationship with transfer provider.
- **BPA will be responsible for payment** to the third-party transmission providers for transfer costs.
- **BPA will continue to propose rolled in rate treatment** in the Tiered Rates Methodology and each subsequent Initial Rate Proposal for transfer service costs of power sold at the PF Tier 1 and Tier 2 rates.

Key Remaining Topics for Draft Policy

1. Quality of Service
Standard for Transfer
Service
2. Guidelines for New
Transfer Points of
Delivery
3. Payment for Non-
Federal Transfer Service



1. Quality of Service Standard

Under the Agreement Regarding Transfer Service (ARTS), BPA used “**comparability**” to inform future discussions related to direct assignment guidelines, quality of service, respective roles, and treatment of costs.

- Under Regional Dialogue, BPA applied this principle to direct assignment guidelines and treatment of costs.
- Note that the ARTS agreement will expire in 2024; BPA intends for the power sale contract fill this gap.

BPA proposes to continue to apply the concept of comparability as related to cost issues.

Comparability Considerations

Many factors are outside of BPA's direct control making comparability a difficult, if not impossible, standard to achieve. These include:

- Geographic limitations, weather, cost limitations, transmission congestion, etc.
- BPA acquires transfer service from third-party transmission providers through different agreements including: GTA's (General Transfer Agreements), third-party transmission provider Open Access Transmission Tariffs (OATT), use-of-facility agreements.
- BPA interfaces with both FERC jurisdictional and non-jurisdictional transmission providers.
- Some service providers are in the EIM; others are not.

Maintaining of Quality of Service

- Under FERC Order 888, Transmission Providers are directed to provide transmission service on a non-discriminatory basis to transmission customers.
 - The FERC Pro Forma OATT requires transmission providers follow good utility practices.
 - BPA will continue to advocate on behalf of PF customers to ensure third-party transmission providers are following their Tariffs, Service Agreements, and FERC policies related to transmission service.
- It is BPA's goal that similarly situated customers be treated consistently, while recognizing the impossibility of BPA guaranteeing identical treatment from distinct transmission providers.

2. New Transfer Point of Delivery

- A new transfer point of delivery (POD) is a new POD on a transfer provider's system for an existing transfer customer.
- The **“Guidelines Regarding Requests for Transfer Service to New Points of Delivery”** were developed during Regional Dialogue.
 - BPA proposes to pull these guidelines forward into Provider of Choice.
- These guidelines generally state:
 - BPA and the customer will work together to determine the best overall plan of service for new load, and whether BPA will be financially and administratively responsible for a new POD.
 - BPA will not assume financial or administrative responsibility for a New Transfer POD that is for redundant or emergency back-up service, reliability in excess of industry standards, load shift requests from the customer, speculative load growth, or for service to an NLSL that will be served with non-federal power.

3. Payment for Non-Federal Transfer Service

Provider of Choice Concept Paper:

1. Bonneville proposed to return to the pre-Regional Dialogue policy of not rolling the cost of transfer service for non-federal power into the PF rate.
2. Instead, Bonneville proposed to pass the cost of transfer service for non-federal power through to the individual transfer customer.



Additional Implications

Two related issues to highlight:

- BPA proposes that, as part of the limit on payment for types of non-federal transfer service, BPA would no longer implement Proportional Scheduling.
 - This would mean transfer customers that have load directly connected with BPA, or are served by multiple transmission providers, may specify delivery of non-federal resources for Above-RHWM load without BPA determining on which system load growth occurred or calculating cost shifts.
- BPA proposes to no longer pay for non-federal transfer service for market purchases in Provider of Choice.
 - This includes discontinuing the Mid-C Exchange Product.

Discussion

Intent: BPA's proposed approach for non-federal transfer service is aligned with foundational intents related to insulating customers from other customers' load and resourcing decisions.

Intent vs. Design Considerations:

- What are customer's primary goals for non-federal transfer service?
- For those with concerns about increasing costs: How might transfer service costs be constrained?
- Is there a difference between transfer of generation resources and market purchases?
- What other alternatives or ideas maintain BPA's intent while furthering customer goals?





BREAK



Tiered Rates, CHWM Calculation, System Size Reflections & Discussion

Rate Construct Intent & Design

Intent

Protect the value of the federal system.

Insulate customers from costs associated with others' load changes and resource decisions.

Enable customer choice for growing load service.

Design

Retain a tiered rate construct with two tiers:

- Tier 1 comprises net requirement load below utility CHWM (mainly legacy T1 loads, with limited adjustments.)
- Tier 2 comprises BPA-served net requirement load above utility CHWM.
- Tier 1 take-or-pay mitigates inter-customer cost shifts.
- Shield Tier 1 from AHWM load service costs (whether services from BPA or customer)

CHWM – Intent & Design

Intent

Enable effective firm resource planning by resetting CHWMs at an earlier point in time.

Adjustments are responsive to load and resource changes experienced while factoring in anticipated future needs.

Adjustments are consistent with Regional Dialogue policy objectives associated with conservation and/or resource development.

A bottom-up calculation methodology provides basis for Tier 1 system size.

Design

CHWMs are reset for the next Power contract.

CHWM adjustments are implemented for headroom, conservation, load growth, resource removals.

CHWM is established for PF-eligible returning customer load.

CHWM Calculation Elements

1. Index Year
2. Non-federal Resources
3. Base Allowance
4. Headroom Adjustment
5. Conservation Adjustment
6. Load Growth Adjustment
7. Scaling Adjustment
8. Returning Public Utility (Grant PUD)

Note: Recap slide
from 1/24/2023

System Size Design & Intent

Intent

Tier 1 system size is a function of CHWM calculation methodology.

Provide certainty in amount of Tier 1 service for duration of contract.

BPA resource planning guides augmentation strategy, if needed, for BPA's Tier 1 obligations.

Design

Fix Tier 1 sales at initial levels for contract duration.

BPA resource planning guides timing and type of resource acquisition(s).

Assumes a relatively “modest” amount of augmentation to the existing federal system similar to what was contemplated for Regional Dialogue.

Reflections: Areas of Alignment

- General approach to tiered rates, CHWM calculation methodology, system size.
- Honoring Regional Dialogue policy, specifically in how conservation and load growth are addressed.
- 2023 as index year.
- System size adjustment categories (e.g. tribal, small utility).



Reflections: Areas for Add'l Discussion

- CHWM adjustment amounts for conservation and load growth (e.g. up to 50%).
- An adjustment for system size, e.g. augmentation to the Tier 1 system and allocation of augmentation.
- Other adjustments e.g. for economic considerations, specific loads, etc. What would an economic adjustment look like?
- Firm surplus in a fixed system.



Additional Elements to Layer In

Additional topics to layer in to policy discussions, not related to the top 3 foundational policy elements:

- Products
 - Product discussions related to market compatibility
 - Carbon-free product offerings
 - Above RHWM load service
- Non-federal resources
- Discounts: *Note there are strong signs of alignment*
- Risk and cost control

Outside the scope of Provider of Choice policy:

- Detailed rate methodology process



Schedule & Feedback

Michelle Lichtenfels, Program Manager, Provider of Choice

Feedback



- Please share your initial feedback on the topics discussed during this workshop. We recognize policy discussions are ongoing and iterative.
- Feedback received by **Friday, Feb. 17** can help inform the **Feb. 21-22** workshop.
- Please send to your Power AE and/or **Post2028@bpa.gov** with a copy to your Power AE.
- Please note that direct responses will not be provided.

Mark Your Calendar

Date	Time	Location	Workshop Topics	Post-Workshop Feedback Request Date
February 9, 2023	9 am – 4 pm	Webex only	<ul style="list-style-type: none"> • Updates on transfer; markets presentation • Reflections/feedback on 1/24-25 policy discussion 	February 17
February 21, 2023	1 pm – 4:30 pm*	BPA Rates Hearing Room and Webex	<ul style="list-style-type: none"> • Product updates (incl. AHWM); policy discussions cont'd 	March 3
February 22, 2023	9 am – 4 pm		<ul style="list-style-type: none"> • Updates from Peak Net Requirements Task Force 	
March 9, 2023	9 am – 4 pm	Webex only	<ul style="list-style-type: none"> • Policy discussions cont'd • Updates TBD 	March 17
March 21, 2023	1 pm – 4 pm	BPA Rates Hearing Room and Webex	<ul style="list-style-type: none"> • Policy discussions cont'd 	March 31
March 22, 2023	9 am – 4 pm		<ul style="list-style-type: none"> • Updates on LDD/IRD 	
April 2023	TBD	TBD locations throughout region	<ul style="list-style-type: none"> • Summary of draft policy direction developed to-date 	TBD



Thank You.

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[Provider of Choice - Bonneville Power Administration \(bpa.gov\)](http://bpa.gov)

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